AUDITING PROCEDURES REPORT Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type Local Government N	Name Coun				
☐ City ☐ Township ☐ Village ☒ Other RICHLAND —	LOGAN FIRE AUTHORIXY	OGEMAN			
Audit Date 3-31-04 Opinion Date Date	Accountant Report Submitted to State:				
We have audited the financial statements of this local unit of prepared in accordance with the Statements of the Governm Reporting Format for Financial Statements for Counties and Department of Treasury.	government and rendered an opinion on the lental Accepting Standards Board (GAS) de Local Unites Tolo Governagion in Michiga	5)			
We affirm that:	AUG 3 0 2004				
We have complied with the <i>Bulletin for the Audits of Local</i> at 2. We are certified public accountants registered to practice in	Units of Government in Michigan as revise	∍d.			
2. We are certified public accountants registered to practice in	n Michigan.				
We further affirm the following. "Yes" responses have been dis the report of comments and recommendations	sclosed in the financial statements, includi	ng the notes, or in			
You must check the applicable box for each item below.					
yes on 1. Certain component units/funds/agencies	of the local unit are excluded from the final	ancial statements			
yes no 2. There are accumulated deficits in one earnings (P.A. 275 of 1980).					
yes no 3. There are instances of non-compliance 1968, as amended).	with the Uniform Accounting and Budge	ting Act (P.A. 2 c			
yes von 4. The local unit has violated the conditions or its requirements, or an order issued un	s of either an order issued under the Muinder the Muinder the Emergency Municipal Loan Act.	nicipal Finance Ac			
yes V no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 2 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).					
yes no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxin unit.					
yes on 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).					
yes no 8. The local unit uses credit cards and has r 1995 (MCL 129.241).	not adopted an applicable policy as requir	red by P.A. 266 of			
yes no 9. The local unit has not adopted an investment	ent policy as required by P.A. 196 of 199	7 (MCL 129.95).			
We have enclosed the following:	To Be Enclosed Forwarded	Not Required			
The letter of comments and recommendations. Por 10	X	Required			
Reports on individual federal financial assistance programs (prog		X			
Single Audit Reports (ASLGU).		X			
Certified Public Accountant (Firm Name) BERTHI AU ME	& COMPANY CPA 5				
Street Address 60 HARROW LANE		1P48603			
Accountant Signature Kennich O. Bullin	aussi (10603			
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INDEPENDENT AUDITORS' REPORT

To the Fire Board Richland-Logan Fire Authority Prescott, Michigan

We have audited the accompanying general purpose financial statements of the Richland-Logan Fire Authority, as of, and for the year ended March 31, 2004. These general purpose financial statements are the responsibility of the Fire Board. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Authority has not maintained a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included in the general purpose financial statements.

In our opinion, except for the omission of the statement of general fixed assets, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Richland-Logan Fire Authority, as of March 31, 2004, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Richland-Logan Fire Authority. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

July 20, 2004

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ALL FUND TYPES AND ACCOUNT GROUPS

BALANCE SHEET

March 31, 2004

	GOV 	FUND	<u>A</u> (ROUP OF CCOUNTS General ong-Term	(M	Total emorandum
ACCETC.		General		Debt		Only)
ASSETS:	ď	114770	\$		\$	114,779
Cash	\$	114,779 9,971	Ф	-	Ф	9,971
Taxes receivable		9,9/1		25,185		25,185
Amount available for retirement of long-term debt Amount to be provided for retirement of long-term debt		-		18,677		18,677
Total assets	\$	124,750	\$	43,862	\$	168,612
LIABILITIES AND FUND EQUITY:						
Liabilities:						
Accounts payable	\$	1,446	\$	-	\$	1,446
Loan payable		-		43,862		43,862
Total liabilities		1,446		43,862		45,308
Fund Equity:						
Fund Balance:		96,014		-		96,014
Unreserved – undesignated Unreserved – designated		27,290		-		27,290
Total fund equity	-	123,304		-		123,304
Total liabilities and fund equity	\$	124,750	\$	43,862	\$	168,612

ALL GOVERNMENTAL FUND TYPES

STATEMENT OF REVENUES, OTHER FINANCING SOURCES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended March 31, 2004

	GOVERNMENTAL FUND
	General
REVENUES:	
Property taxes Interest Donation	\$ 88,499 255 100
Charges for services	1,800
Total revenues	90,654
EXPENDITURES:	
Operations	31,404
Capital outlay	3,935
Debt Service:	22 170
Principal Interest	22,170 2,849
Total expenditures	60,358
Excess of revenues over (under) expenditures	30,296
Fund balance, beginning of year	93,008
Fund balance, end of year	\$ 123,304

GENERAL FUND

STATEMENT OF REVENUES, OTHER FINANCING SOURCES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Year Ended March 31, 2004

	 Budget		Actual	Fc	ariance avorable vorable)
REVENUES:		_			4 (00
Property taxes	\$ 86,800	\$	88,499	\$	1,699
Interest	535		255		(280)
Donation	200		100		(100)
Charges for services	 2,400		1,800		(600)
Total revenues	 89,935		90,654		719
EXPENDITURES:					
Operations	32,943		31,404		1,539
Capital outlay	10,000		3,935		6,065
Debt Service:					
Principal	38,000		22,170		15,830
Interest	3,000		2,849		151
Total expenditures	 83,943		60,358		23,585
Excess of revenues over (under) expenditures	5,992		30,296		24,304
Fund balance, beginning of year	 93,008		93,008		-
Fund balance, end of year	\$ 99,000	\$	123,304	\$	24,304

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of certain significant accounting policies followed in the preparation of these financial statements.

DESCRIPTION OF THE ENTITY

The Richland-Logan Fire Authority was created in 1998 by the Townships of Richland and Logan. The Authority was created to maintain and operate a joint fire department for the purpose of providing and furnishing fire protection within the geographical boundaries of the two Townships. The Fire Authority is governed by an appointed Administrative Board with each unit of government appointing members to the Board.

REPORTING ENTITY

The Fire Authority has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14, *The Financial Reporting Entity*, and has determined that no entities should be included in its general purpose financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

BASIS OF PRESENTATION

The financial activities of the Fire Authority are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Fire Authority.

General Long-Term Debt Account Group - This Account Group presents the balance of general long-term debt, if any, of the Fire Authority.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The governmental fund is accounted for using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets and fund balance is a measure of available spendable resources. A governmental fund is used to account for all of the Fire Authority's general activities.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

The financial statements have been prepared in conformity with generally accepted accounting principles. The governmental fund is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are "measurable and available"). Expenditures are generally recognized when the related fund liability is incurred. Principal and interest on long-term debt, if any, is recognized when due.

ASSETS, LIABILITIES AND EQUITY

Cash and Equivalents

All highly liquid accounts and investments with original maturities of three months or less are considered cash equivalents. Investments, if any, are stated at fair value.

Accounts Receivable

The Fire Authority considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations in the period of uncollectibility.

Property and Equipment

Property and equipment acquisitions and dispositions are accounted for as expenditures or revenues in the General Fund

Long-Term Obligations

The Fire Authority reports long-term debt, if any, of governmental funds at face value in the general long-term debt account group.

Fund Equity

The fund balance of the governmental funds represents the amount available for budgeting future operations.

Use of Estimates

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Memorandum Only - Total Column

The total column on the combined general purpose financial statements is captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis and do not represent consolidated financial information. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 2: CASH-CREDIT RISK

Cash deposits are carried at cost. Deposits of the Fire Authority are at one bank and are fully insured by the Federal Depository Insurance Corporation. Act 217, PA 1982, authorizes the Fire Authority to deposit and invest in the accounts of federally insured banks, insured credit unions, and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States. Act 367, PA 1982, also authorizes the Fire Authority to invest in the certain investment pools managed by qualified financial institutions.

At March 31, 2004, the book value of the Fire Authority's deposits, consisting of time deposits and interest bearing checking account, was \$114,779 and the bank balance was \$96,034. The bank deposits are categorized as credit risk #1. All deposits are in accordance with statutory authority.

NOTE 3: FUNDING/PROPERTY TAXES

The Fire Authority is financed each year principally by a voted property tax levy in Richland and Logan Townships.

The voted 2003 millage rates are as follows:

Operations .9621 mills Capital Improvements 1.0000 mills

The 2003 taxable assessed values are as follows:

Richland Township \$23,130,840 Logan Township \$19,822,587

NOTE 4: RISK MANAGEMENT

The Fire Authority is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Fire Authority carries commercial insurance.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 5: BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2004, the Authority incurred no expenditures which were in excess of the amounts appropriated.

NOTE 6: LONG-TERM DEBT

The following is a summary of the debt outstanding and changes for the year ended March 31, 2004:

Description	_	Balance April 1, 2003	Increase		D)ecrease	 Balance Iarch 31, 2004
1st Bank loan dated March 31, 2000, payable annually starting April 1, 2001 in 8 equal installments of \$25,016 (adjusted to \$22,976) including interest at the rate of 4.5% per year	\$	66,032	\$	-	\$	22,170	\$ 43,862

The annual debt service requirements to maturity for all debt including interest of \$5,058 are as follows:

Fiscal year ended March 31,	
2005	\$
2006	12,230
2007	12,230
2008	12,230
2009	12,230
	\$ 48,920

The annual debt service payment has been reduced from \$25,019, per the original repayment schedule, to \$12,230 because of advance payments being made.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 7: DESIGNATED FUND BALANCE

The fund balance of the general fund is designated for the following items:

Debt service – building loan	\$ 25,185
Equipment replacement	959
Special projects	 1,146
	\$ 27,290



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MANAGEMENT LETTER

To the Fire Authority Board Richland-Logan Fire Authority

We have completed our audit of the financial statements of Richland-Logan Fire Authority for the year ended March 31, 2004, and have issued our report thereon dated July 20, 2004. As part of our examination, we made a study and evaluation of the Authority's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Fire Authority's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Authority's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Fire Authority taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

This report is intended solely for the use of the Fire Authority management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our audit.

Berthiaume & Company Certified Public Accountants

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July 20, 2004